

AMENDED IN SENATE JUNE 30, 2003

AMENDED IN SENATE JUNE 3, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1584

Introduced by Committee on Public Employees, Retirement and Social Security (Negrete McLeod (Chair), Levine (Vice Chair), Chan, Correa, Kehoe, Laird, and Nakanishi)

February 21, 2003

An act to amend Sections 20057, 20161, 20501, 20585, 20588, 20590, 20610, 20611, 20752, 20816, 20890.2, 20907, 21013, 21220, 21571, 21572, 21661, 21663, 22009.03, 22009.1, 22013.7, 22018, 22156, 22502, 22754, and 22825 of, to add ~~Section 20672.5~~ Sections 20672.5 and 21220.5 to, to repeal Sections 20677.1, 20732, 21253, 21431, and 22216 of, to repeal Chapter 10 (commencing with Section 20860) of Part 3 of Division 5 of Title 2 of, and to repeal and add Section 21252 of, the Government Code, relating to the Public Employees' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

AB 1584, as amended, Committee on Public Employees, Retirement and Social Security. Public Employees' Retirement System.

(1) Existing law authorizes the Board of Administration of the Public Employees' Retirement System to enter into an agreement with the governing body of a contracting agency and the governing body of a city or county or, in certain counties, the board of retirement for termination of the contracting agency's participation in the Public Employees' Retirement System and inclusion of the agency's

employees in the retirement system of the city or county. Existing law requires the agreement to contain provisions the board finds necessary to protect the interests of the system, as specified.

This bill would authorize the board to include other provisions in that agreement to address issues related to the transfer, as specified.

(2) Existing law prescribes employee ~~contributions~~ *contribution* rates for members of the Public Employees' Retirement System and provides for temporary reductions of those rates for state members, as specified. Under existing law, members of the system may, in certain circumstances, redeposit previously withdrawn contributions or purchase service credit upon payment of additional contributions.

This bill would specify that the temporarily reduced contribution rates do not apply to the redeposit of contributions or to contributions made to purchase service credit. *The bill would also revise provisions dealing with the collection of an underpayment or overpayment of member contributions.*

(3) Under the Public Employees' Retirement Law, contracting agencies may request that a portion of the agency's excess employer assets be transferred to member-accumulated contribution accounts to satisfy all member contributions.

This bill would authorize that transfer to be made to satisfy all or a portion of member contributions.

(4) The Public Employees' Retirement Law provides that retirement is effective on the date designated in the member's application, but not earlier than specified dates, or the day following the last day on which salary is payable. However, existing law authorizes the Board of Administration of the Public Employees' Retirement System to fix the effective date of the member's retirement as of an earlier date if the board makes specified findings.

This bill would revise and recast those provisions and would provide that a member's application for retirement, if submitted within 9 months after separation from employment, shall be deemed to have been submitted on the last day for which salary was payable. *The bill would also provide that a retired person who has not attained the normal retirement age is required to meet specified requirements of the Internal Revenue Code and corresponding regulations.*

(5) The Public Employees' Retirement Law prescribes 5 levels of preretirement survivors' benefits. Existing law provides, with respect to 3 of those levels of benefits, that the assets and liabilities of all contracting agencies subject to the benefits shall be pooled into a single



account and a single employer rate shall be established with respect to those benefits, subject to certain adjustments based on the balance in the agency's account, as specified.

This bill would also make those provisions relating to the pooling of assets and the establishment of a single employer rate applicable to contracting agencies subject to the other 2 levels of benefits.

(6) Existing law requires the Board of Administration of the Public Employees' Retirement System to contract with carriers offering long-term care insurance plans and provides that active and retired members and annuitants of specified counties and public agencies are eligible to enroll in those plans.

This bill would revise those provisions to provide that active and retired members, annuitants, and employees of any public agency in the state are eligible to enroll in those plans. The bill would make other technical changes to those provisions.

(7) Existing law defines certain public officers as a "policeman" or "fireman" for purposes of excluding them from coverage under social security.

This bill would include within that definition for those purposes, any park ranger employed by a contracting agency who has been classified as a local safety member of the Public Employees' Retirement System, as specified.

(8) The bill would also delete obsolete provisions and make technical changes to the Public Employees' Retirement Law and the Public Employees' Medical and Hospital Care Act.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 20057 of the Government Code is
2 amended to read:

3 20057. "Public agency" also includes the following:

4 (a) The Commandant, Veterans' Home of California, with
5 respect to employees of the Veterans' Home Exchange and other
6 post fund activities whose compensation is paid from the post fund
7 of the Veterans' Home of California.

8 (b) Any auxiliary organization operating pursuant to Chapter
9 7 (commencing with Section 89900) of Part 55 of the Education
10 Code and in conformity with regulations adopted by the Trustees

1 of the California State University and any auxiliary organization
2 operating pursuant to Article 6 (commencing with Section 72670)
3 of Chapter 6 of Part 45 of the Education Code and in conformity
4 with regulations adopted by the Board of Governors of the
5 California Community Colleges.

6 (c) Any student body or nonprofit organization composed
7 exclusively of students of the California State University or
8 community college or of members of the faculty of the California
9 State University or community college, or both, and established
10 for the purpose of providing essential activities related to, but not
11 normally included as a part of, the regular instructional program
12 of the California State University or community college.

13 (d) A state organization of governing boards of school districts,
14 the primary purpose of which is the advancing of public education
15 through research and investigation.

16 (e) Any nonprofit corporation whose membership is confined
17 to public agencies as defined in Section 20056.

18 (f) A section of the California Interscholastic Federation.

19 (g) Any credit union incorporated under Division 5
20 (commencing with Section 14000) of the Financial Code, or
21 incorporated pursuant to federal law, with 95 percent of its
22 membership limited to employees who are members of or retired
23 members of this system or the State Teachers' Retirement Plan,
24 and their immediate families, and employees of any credit union.
25 For the purposes of this subdivision, "immediate family" means
26 those persons related by blood or marriage who reside in the
27 household of a member of the credit union who is a member of or
28 retired member of this system or the State Teachers' Retirement
29 Plan. The credit union shall pay any costs that are in addition to the
30 normal charges required to enter into a contract with the board. All
31 the payments made by the credit union that are in addition to the
32 normal charges required shall be added to the total amount
33 appropriated by the Budget Act for the administrative expense of
34 this system. For purposes of this subdivision, a credit union shall
35 not be deemed to be a public agency unless it has entered into a
36 contract with the board pursuant to Chapter 5 (commencing with
37 Section 20460) prior to January 1, 1988. After January 1, 1988, the
38 board shall not enter into a contract with any credit union as a
39 public agency.

1 (h) Any county superintendent of schools that was a
2 contracting agency on July 1, 1983, and any school district or
3 community college district that was a contracting agency with
4 respect to local policemen, as defined in Section 20430, on July 1,
5 1983.

6 (i) Any school district or community college district that has
7 established a police department, pursuant to Section 39670 or
8 72330 of the Education Code, and has entered into a contract with
9 the board on or after January 1, 1990, for school safety members,
10 as defined in Section 20444.

11 (j) A nonprofit corporation formed for the primary purpose of
12 assisting the development and expansion of the educational,
13 research, and scientific activities of a district agricultural
14 association formed pursuant to Part 3 (commencing with Section
15 3801) of Division 3 of the Food and Agricultural Code, and the
16 nonprofit corporation described in the California State Exposition
17 and Fair Law (former Article 3 (commencing with Section 3551)
18 of Chapter 3 of Part 2 of Division 3 of the Food and Agricultural
19 Code, as added by Chapter 15 of the Statutes of 1967).

20 (k) (1) A public or private nonprofit corporation that operates
21 a regional center for the developmentally disabled in accordance
22 with Chapter 5 (commencing with Section 4620) of Division 4.5
23 of the Welfare and Institutions Code.

24 (2) A public or private nonprofit corporation, exempt from
25 taxation under Section 501(c)(3) of the Internal Revenue Code,
26 that operates a rehabilitation facility for the developmentally
27 disabled and provides services under a contract with either (A) a
28 regional center for the developmentally disabled, pursuant to
29 paragraph (3) of subdivision (a) of Section 4648 of the Welfare and
30 Institutions Code, or (B) the Department of Rehabilitation,
31 pursuant to Chapter 4.5 (commencing with Section 19350) of Part
32 2 of Division 10 of the Welfare and Institutions Code, upon
33 obtaining a written advisory opinion from the United States
34 Department of Labor as described in Section 20057.1.

35 (3) A public or private nonprofit corporation described in this
36 subdivision shall be deemed a “public agency” only for purposes
37 of this part and only with respect to the employees of the regional
38 center or the rehabilitation facility described in this subdivision.
39 Notwithstanding any other provision of this part, the agency may

1 elect by appropriate provision or amendment of its contract not to
2 provide credit for service prior to the effective date of its contract.

3 (l) Independent data-processing centers formed pursuant to
4 former Article 2 (commencing with Section 10550) of Chapter 6
5 of Part 7 of the Education Code, as it read on December 31, 1990.
6 An agency included pursuant to this subdivision shall only provide
7 benefits that are identical to those provided to a school member.

8 (m) Any local agency formation commission.

9 (n) A nonprofit corporation organized for the purpose of and
10 engaged in conducting a citrus fruit fair as defined in Section 4603
11 of the Food and Agricultural Code.

12 (o) (1) A public or private nonprofit corporation that operates
13 an independent living center providing services to severely
14 handicapped people and established pursuant to federal P.L.
15 93-112, that receives the approval of the board, and that provides
16 at least three of the following services:

17 (A) Assisting severely handicapped people to obtain personal
18 attendants who provide in-home supportive services.

19 (B) Locating and distributing information about housing in the
20 community usable by severely handicapped people.

21 (C) Providing information about financial resources available
22 through federal, state and local government, and private and public
23 agencies to pay all or part of the cost of the in-home supportive
24 services and other services needed by severely handicapped
25 people.

26 (D) Counseling by people with similar disabilities to aid the
27 adjustment of severely handicapped people to handicaps.

28 (E) Operation of vans or buses equipped with wheelchair lifts
29 to provide accessible transportation to otherwise unreachable
30 locations in the community where services are available to
31 severely handicapped people.

32 (2) A public or private nonprofit corporation described in this
33 subdivision shall be deemed a “public agency” only for purposes
34 of this part and only with respect to the employees of the
35 independent living center.

36 (3) Notwithstanding any other provisions of this part, the
37 public or private nonprofit corporation may elect by appropriate
38 provision or amendment of its contract not to provide credit for
39 service prior to the effective date of its contract.

(p) A hospital that is managed by a city legislative body in accordance with Article 8 (commencing with Section 37650) of Chapter 5 of Part 2 of Division 3 of Title 4.

(q) The Tahoe Transportation District that is established by Article IX of Section 66801.

(r) The California Firefighter Joint Apprenticeship Program formed pursuant to Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code.

(s) A public health department or district that is managed by the governing body of a county of the 15th class, as defined by Sections 28020 and 28036, as amended by Chapter 1204 of the Statutes of 1971.

(t) A nonprofit corporation or association conducting an agricultural fair pursuant to Section 25905 may enter into a contract with the board for the participation of its employees as members of this system, upon obtaining a written advisory opinion from the United States Department of Labor as described in Section 20057.1. The nonprofit corporation or association shall be deemed a “public agency” only for this purpose.

(u) An auxiliary organization established pursuant to Article 2.5 (commencing with Section 69522) of Chapter 2 of Part 42 of the Education Code upon obtaining a written advisory opinion from the United States Department of Labor as described in Section 20057.1. The auxiliary organization is a “public agency” only for this purpose.

(v) The Western Association of Schools and Colleges upon obtaining a written advisory opinion from the United States Department of Labor as described in Section 20057.1. The association shall be deemed a “public agency” only for this purpose.

SEC. 2. *Section 20161 of the Government Code is amended to read:*

20161. Notwithstanding any other provision of this part or of Section 13943.2 or 16302.1 to the contrary, the following shall apply:

(a) When there has been a payment of death benefits ~~or~~, a return of accumulated contributions, *a contribution adjustment, or a deposit of contributions*, this system may refrain from collecting an underpayment of accumulated contributions if the amount to be collected is two hundred fifty dollars (\$250) or less.

(b) When there has been a payment of death benefits or, a return of accumulated contributions, *a contribution adjustment, or a deposit of contributions*, and there is a balance of fifty dollars (\$50) or less remaining posted to a member's individual account, *or an overpayment of fifty dollars (\$50) or less was received*, this system may dispense with a return of accumulated contributions.

(c) When there is a positive or negative balance of two hundred fifty dollars (\$250) or less remaining posed to a member's individual account, or the balance exceeds two hundred fifty dollars (\$250) but the difference to the monthly allowance unmodified by any optional settlement is less than five dollars (\$5), this system may dispense with any recalculation of, or other adjustment to, benefit payments.

(d) The dollar amounts specified in subdivisions (a) and (c) shall be adjusted in accordance with any changes in the dollar amounts specified in Section 13943.2. 20161.

SEC. 3. Section 20501 of the Government Code is amended to read:

20501. Contracts with school employers may include school district employees in this system only with respect to service rendered in a status in which they are not eligible for membership in the State Teachers' Retirement Plan.

~~SEC. 3.~~

SEC. 4. Section 20585 of the Government Code is amended to read:

20585. (a) Notwithstanding any other provision of this article, the board may enter into an agreement with the governing body of a contracting agency whose contract has been in effect for at least five years and the board of supervisors of a county maintaining a county retirement system for termination of the contracting agency's participation in this system and inclusion of its employees in the county retirement system.

(b) The agreement shall contain provisions the board finds necessary to protect the interests of this system, including provisions for determination of the amount, time, and manner of transfer of cash or securities, or both, to be transferred to the county system representing the value of the interests in the retirement fund of the contracting agency and its employees by reason of accumulated contributions credited to the agency and its employees. However, the amount transferred may not exceed the

1 amount of the accumulated contributions. Any amount
2 representing the difference between the value of the interests in the
3 retirement fund of the contracting agency and its employees, and
4 the accumulated contributions credited to the agency and its
5 employees, shall be credited to the reserve under Section 20174.
6 The agreement may also contain any other provisions that the
7 board deems necessary to address issues related to the transfer,
8 including, but not limited to, ~~service credited under employers~~
9 ~~other than the contracting agency,~~ benefits subject to an
10 outstanding domestic relations order; and benefits subject to a lien.

11 (c) All liability of this system with respect to members and
12 retired persons under the contract shall cease and shall become the
13 liability of the county system as of the date of termination specified
14 in the agreement. Liability of the county retirement system shall
15 be for payment of benefits in accordance with Chapter 3
16 (commencing with Section 31450) of Part 3 of Division 4 of Title
17 3 applicable to it except that allowances of persons retired on the
18 termination date and their beneficiaries and of beneficiaries of
19 deceased members or retired persons who are receiving
20 allowances on that date, shall be continued in at least the amount
21 provided under the agency's contract as it was on that date. The
22 termination may not affect the contribution rate of any member in
23 any other employment under this system on the date of termination
24 or any retirement allowance or other benefit based on service to
25 another employer being paid on the termination date.

26 (d) Any member who becomes a member of a county
27 retirement system upon the contract termination shall be subject
28 to this part and Chapter 3 (commencing with Section 31450) of
29 Part 3 of Division 4 of Title 3 extending rights to a member or
30 subjecting him or her to limitations because of membership in
31 another retirement system to the same extent that he or she would
32 have been had he or she been a member of the county retirement
33 system during his or her membership in this system under the
34 terminated contract.

35 (e) Upon execution of the agreement, a contracting agency that
36 is an employer under Chapter 9 (commencing with Section 20790)
37 shall cease to have that status, and the accumulated contributions
38 of the contracting agency shall be determined and thereafter held
39 as provided in Section 20834.

40 ~~SEC. 4.~~

1 *SEC. 5.* Section 20588 of the Government Code is amended
2 to read:

3 20588. (a) Notwithstanding any other provision of this
4 article, the board may, pursuant to this section and Section 31657,
5 enter into an agreement with the board of retirement of a county
6 maintaining a county retirement system, for termination of
7 participation of a public agency whose contract has been in effect
8 for at least five years in this system or the state with respect to
9 certain safety members who have ceased to be employed by the
10 public agency or the state and have been employed by a county, fire
11 authority, or district as a result of a transfer of firefighting or law
12 enforcement functions from the public agency or the state to the
13 county, fire authority, or district and inclusion of the former public
14 agency employees in that county retirement system.

15 (b) The agreement shall contain provisions the board finds
16 necessary to protect the interests of this system, including
17 provisions for determination of the amount, time, and manner of
18 transfer of cash or securities, or both, to be transferred to the
19 county system representing the actuarial value of the interests in
20 the retirement fund of the public agency or the state and the
21 transferred employees by reason of accumulated contributions
22 credited to that public agency or the state and the employees
23 transferred. The agreement may also contain any other provisions
24 that the board deems necessary to address issues related to the
25 transfer, including, but not limited to, ~~service credited under~~
26 ~~employers other than the contracting agency,~~ benefits subject to an
27 outstanding domestic relations order; and benefits subject to a lien.
28 The agreement shall apply only to employees who are employed
29 by the county or district on the effective date of the agreement.

30 (c) All liability of this system with respect to the members
31 transferred under that agreement shall cease and shall become the
32 liability of the county retirement system as of the date of transfer
33 specified in the agreement. Liability of the county retirement
34 system shall be for payment of benefits to transferred employees
35 in accordance with Chapter 3 (commencing with Section 31450)
36 of Part 3 of Division 4 of Title 3.

37 (d) Any member transferred who becomes a member of a
38 county retirement system upon that transfer date shall be subject
39 to provisions of this part and of Chapter 3 (commencing with
40 Section 31450) of Part 3 of Division 4 of Title 3 extending rights

1 to a member or subjecting him or her to limitations because of
2 membership in another retirement system to the same extent that
3 he or she would have been had he or she been a member of the
4 county retirement system during his or her membership in this
5 system.

6 (e) This section shall apply only in Kern, Los Angeles, and
7 Orange Counties.

8 ~~SEC. 5.~~

9 SEC. 6. Section 20590 of the Government Code is amended
10 to read:

11 20590. (a) Notwithstanding any other provision of this
12 article, the board may enter into an agreement with the governing
13 body of a contracting agency, other than a housing authority, and
14 the governing body of a city with a population in excess of
15 2,000,000 and maintaining its own retirement system, for
16 termination of the contracting agency's participation in this system
17 and inclusion of the employees in the city retirement system.

18 (b) The agreement shall contain provisions the board finds
19 necessary to protect the interests of this system, including
20 provisions for determination of the amount, time, and manner of
21 transfer of cash or securities, or both, to be transferred to the city
22 system representing the value of the interests in the retirement fund
23 of the contracting agency and its employees by reason of
24 contributions and interest credited to the agency and its
25 employees. The agreement may also contain any other provisions
26 that the board deems necessary to address issues related to the
27 transfer, including, but not limited to, ~~service credited under~~
28 ~~employers other than the contracting agency,~~ benefits subject to an
29 outstanding domestic relations order; and benefits subject to a lien.

30 (c) All liability of this system with respect to members and
31 retired persons under the contract shall cease and shall become the
32 liability of the city system as of the date of termination specified
33 in the agreement. Liability of the city system shall be for payment
34 of benefits to persons retired on the termination date and their
35 beneficiaries and of beneficiaries of deceased members in at least
36 the amount provided under the agency's contract as it was on that
37 date. The termination may not affect the contribution rate of any
38 member in any other employment under this system on the date of
39 termination or any retirement allowance or other benefit based on
40 service.

(d) Any member who becomes a member of a city system upon the contract termination shall be subject to those provisions of this part extending rights to a member or subjecting the member to limitations because of membership in another retirement system to the same extent that the member would have been had he or she been a member of the city system during his or her membership in this system under the terminated contract.

~~SEC. 6.~~

SEC. 7. Section 20610 of the Government Code is amended to read:

20610. Every county superintendent of schools shall enter into a contract with the board for the inclusion in this system of (a) all of the employees of the office of county superintendent whose compensation is paid from the county school service fund other than employees electing pursuant to Section 1313 of the Education Code to continue in membership in a county system; and (b) all of the employees of school districts and community college districts existing on July 1, 1949, or thereafter formed, within his or her jurisdiction, other than school districts that are contracting agencies or that maintain a district, joint district, or other local retirement system, in respect to service rendered in a status in which they are not eligible for membership in the State Teachers' Retirement Plan. The effective date of each contract shall be not later than July 1, 1949. For the purposes of this part those school district employees shall be considered to be employees of the county superintendent of schools having jurisdiction over the school district by which they are employed and service to the district shall be considered as service to the county superintendent of schools.

~~SEC. 7.~~

SEC. 8. Section 20611 of the Government Code is amended to read:

20611. A regional occupational center established pursuant to Chapter 9 (commencing with Section 52300) of Division 4 of the Education Code by two or more school districts by a joint powers agreement shall be deemed a school district for purposes of this part. The board and the county superintendent of schools, upon the request of the governing body of any center in the county, shall amend the contract entered into under this chapter to include the employees of the center who are not eligible to membership in the

State Teachers' Retirement Plan. Credit shall not be granted for any service in that employment prior to the effective date of the amendment. However, on the request of the governing body of the center, the amendment may provide that the membership of any person becoming a member in that employment on the effective date of the amendment shall be retroactive to the date of that person's entry into that employment. If the amendment provides for the retroactive membership, both the member and the center shall contribute to the retirement fund for the period the amounts they would have contributed had the amendment been in effect on the date of the entry into employment.

~~SEC. 8.~~

SEC. 9. Section 20672.5 is added to the Government Code, to read:

20672.5. Whenever a member's contribution rate is temporarily reduced by statute, a memorandum of understanding, or the Director of the Department of Personnel Administration, those reductions shall be limited to the payment of member contributions during the reduction period and do not apply to the purchase of service credit or the redeposit of member contributions. The purchase of service credit and the redeposit of member contributions shall be subject to the normal rate of contribution for the member in effect immediately prior to the temporary rate reduction.

~~SEC. 9.~~

SEC. 10. Section 20677.1 of the Government Code is repealed.

~~SEC. 10.~~

SEC. 11. Section 20732 of the Government Code is repealed.

~~SEC. 11.~~

SEC. 12. Section 20752 of the Government Code is amended to read:

20752. (a) A member of the Judges' Retirement System, the Judges' Retirement System II, the Legislators' Retirement System, the State Teachers' Retirement Plan, the University of California Retirement System, or a county retirement system, who has withdrawn accumulated contributions from this system shall have the right to redeposit those contributions, subject to the same conditions as imposed for redeposits of accumulated contributions by Section 20750, including the rights that he or she would have

1 had under Section 20638 had he or she not withdrawn his or her
2 contributions.

3 (b) Provisions of this section extending a right to redeposit
4 accumulated contributions withdrawn from this system shall also
5 apply to members of any retirement system established under
6 Chapter 2 (commencing with Section 45300) of Division 5 of Title
7 4 with respect to which an ordinance complying with Section
8 45310.5 has been filed with, and accepted by, the board or any
9 retirement system established by, or pursuant to, the charter of a
10 city or city and county or by any other public agency of this state
11 which system, in the opinion of the board, provides a similar
12 modification of rights and benefits because of membership in this
13 system and with respect to which the governing body of the city,
14 city and county or public agency and the board have entered into
15 agreement pursuant to Section 20351.

16 (c) A member who elects to redeposit under this section shall
17 have the same rights as a member who has elected pursuant to
18 Section 20731 to leave his or her accumulated contributions on
19 deposit in the fund.

20 ~~SEC. 12.~~

21 *SEC. 13.* Section 20816 of the Government Code is amended
22 to read:

23 20816. (a) Notwithstanding any other provision of this part,
24 all assets of an employer shall be used in the determination of the
25 employer contribution rate for the membership comprising the
26 basis of the computation. Assets held shall be recognized over the
27 same funding period used to amortize unfunded accrued actuarial
28 obligations, whether in excess of the accrued actuarial obligation
29 or not, using the entry age normal funding method.

30 (b) On and after January 1, 1999, contracting agencies for
31 which the actuarial value of assets exceeds the present value of
32 benefits as of the most recently completed valuation, as
33 determined by the chief actuary, may request that the board
34 transfer employer assets to member-accumulated contribution
35 accounts to satisfy all or a portion of the member contributions
36 required by this part. That transfer shall be over a 12-month period
37 provided the actuarial value of assets exceeds the present value of
38 benefits. In determining the present value of benefits and the
39 actuarial value of assets for purposes of this part, liabilities and
40 assets attributed to the 1959 survivor allowance may not be

1 included. On and after January 1, 2003, a transfer of assets may not
2 be made pursuant to this subdivision unless all or the same portion
3 of the member contributions of each member in a membership
4 classification are satisfied through the transfer. An employer
5 electing a transfer of assets pursuant to this subdivision shall
6 satisfy the members' contributions for a period of not less than one
7 month and not more than one year.

8 (c) On and after January 1, 2002, any contracting agency for
9 which the actuarial value of assets exceeds the present value of
10 benefits as of the most recently completed valuation, as
11 determined by the chief actuary, may request that the board
12 transfer from the contracting agency's employer account excess
13 assets, as determined by the board subject to the requirements and
14 limitations of Section 420 of the Internal Revenue Code (26 U.S.C.
15 Sec. 420), to a retiree health account established by the board, in
16 its discretion, in the contracting agency's employer account
17 pursuant to Section 401(h) of the Internal Revenue Code (26
18 U.S.C. 401(h)) for the purpose of providing health benefits to the
19 contracting agency's retirees and their covered dependents. The
20 board may, in its discretion, transfer excess assets from the
21 contracting agency's employer account to that contracting
22 agency's retiree health account within that agency's employer
23 account, if the transfer meets the conditions of a qualified transfer
24 pursuant to Section 420 of the Internal Revenue Code (26 U.S.C.
25 Sec. 420). The transferred assets shall be used solely for the
26 payment of current retiree health liabilities. That qualified transfer
27 shall be made only once each year. The board may adopt
28 regulations necessary to implement this subdivision.
29 Notwithstanding any other provision of law, the regulations may
30 provide for the nonforfeiture of accrued pension benefits of
31 participants and beneficiaries of a plan from which excess assets
32 are transferred to the extent necessary for the transfer to meet the
33 conditions of a qualified transfer pursuant to Section 420 of the
34 Internal Revenue Code (26 U.S.C. Sec. 420), and may include any
35 other provision necessary under Section 420 of the Internal
36 Revenue Code (26 U.S.C. Sec. 420) or Section 401(h) of the
37 Internal Revenue Code (26 U.S.C. Sec. 401(h)) to accomplish the
38 purposes of this subdivision.

39 (d) For the purpose of this section, "employer" means any
40 contracting agency, the state, or a school employer.

(e) The actuarial report in the annual financial report shall also express the effect upon employer contribution rates of this section and of the recognition of net unrealized gains and losses.

~~SEC. 13.~~

SEC. 14. Chapter 10 (commencing with Section 20860) of Part 3 of Division 5 of Title 2 of the Government Code is repealed.

~~SEC. 14.~~

SEC. 15. Section 20890.2 of the Government Code is amended to read:

20890.2. (a) Past miscellaneous service performed as an employee of the Department of the California Highway Patrol while a student at the department's training school established pursuant to Section 2262 of the Vehicle Code shall be converted to patrol member service if all of the following apply:

(1) The service was rendered by a current employee of the Department of the California Highway Patrol.

(2) The service is credited to an employee who has patrol member service credit for service performed with the Department of the California Highway Patrol.

(3) The member failed to file a written election to retain the service as miscellaneous service within 90 days of notification by the board.

(b) The Department of the California Highway Patrol shall notify the board, in the manner established by the board, of any employee who is eligible for conversion of service pursuant to this section.

~~SEC. 15.~~

SEC. 16. Section 20907 of the Government Code is amended to read:

20907. Any funds transferred to this system on account of liability for additional service credit granted pursuant to Sections 20901, 20902, 20904, or former Section 20822, as added by Chapter 450 of the Statutes of 1992, shall be paid over a time period acceptable to the employer and the board, but in no case shall that period exceed five years.

~~SEC. 16.~~

SEC. 17. Section 21013 of the Government Code is amended to read:

21013. "Leave of absence" also means any time, up to one year, during which a member is granted an approved maternity or

1 paternity leave and returns to employment at the end of the
2 approved leave for a period of time at least equal to that leave. Any
3 member electing to receive service credit for that leave of absence
4 shall make the contributions as specified in Sections 21050 and
5 21052. This section applies to both past and future maternity or
6 paternity leaves of absences by members of the system.

7 ~~SEC. 17.~~

8 *SEC. 18.* Section 21220 of the Government Code is amended
9 to read:

10 21220. (a) A person who has been retired under this system,
11 for service or for disability, may not be employed in any capacity
12 thereafter by the state, the university, a school employer, or a
13 contracting agency, unless the employment qualifies for service
14 credit in the University of California Retirement System or the
15 State Teachers' Retirement Plan, unless he or she has first been
16 reinstated from retirement pursuant to this chapter, or unless the
17 employment, without reinstatement, is authorized by this article.
18 A retired person whose employment without reinstatement is
19 authorized by this article shall acquire no service credit or
20 retirement rights under this part with respect to the employment.

21 (b) Any retired member employed in violation of this article
22 shall:

23 (1) Reimburse this system for any retirement allowance
24 received during the period or periods of employment that are in
25 violation of law.

26 (2) Pay to this system an amount of money equal to the
27 employee contributions that would otherwise have been paid
28 during the period or periods of unlawful employment, plus interest
29 thereon.

30 (3) Contribute toward reimbursement of this system for
31 administrative expenses incurred in responding to this situation, to
32 the extent the member is determined by the executive officer to be
33 at fault.

34 (c) Any public employer that employs a retired member in
35 violation of this article shall:

36 (1) Pay to this system an amount of money equal to employer
37 contributions that would otherwise have been paid for the period
38 or periods of time that the member is employed in violation of this
39 article, plus interest thereon.

(2) Contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

~~SEC. 18.~~

SEC. 19. Section 21220.5 is added to the Government Code, to read:

21220.5. A retired person who has not attained the normal retirement age shall have a bona fide separation in service to the extent required by the Internal Revenue Code, and the regulations promulgated thereunder, before working after retirement pursuant to this article. The board shall establish, by regulation, the criteria under which a bona fide separation is satisfied.

SEC. 20. Section 21252 of the Government Code is repealed.

~~SEC. 19.~~

SEC. 21. Section 21252 is added to the Government Code, to read:

21252. (a) A member's written application for retirement, if submitted to the board within nine months after the date the member discontinued his or her state service, and, in the case of retirement for disability, if the member was physically or mentally incapacitated to perform his or her duties from the date the member discontinued state service to the time the written application for retirement was submitted to the board, shall be deemed to have been submitted on the last day for which salary was payable. The effective date of a written application for retirement submitted to the board more than nine months after the member's discontinuance of state service shall be determined in accordance with Section 20160.

(b) An application for retirement may only be submitted by or for a member who is living on the date the application is actually received by the system. If the member has been deemed incompetent to act on his or her own behalf continuously from the last day for which salary was payable, the effective date of retirement may not be earlier than one year prior to the month in which an application submitted by the guardian of the member's estate is received by the system.

(c) Notwithstanding any other provision of law, a member who separates from a retirement system that has established reciprocity with this system with the intention of retiring concurrently under

both systems and who submits his or her application for retirement for service to the board within nine months after that separation, may have his or her application received and acted upon by this system as if the application were submitted pursuant to this section.

~~SEC. 20.~~

~~SEC. 22.~~ Section 21253 of the Government Code is repealed.

~~SEC. 21.~~

~~SEC. 23.~~ Section 21431 of the Government Code is repealed.

~~SEC. 22.~~

~~SEC. 24.~~ Section 21571 of the Government Code is amended to read:

21571. (a) If the death benefit provided by Section 21532 is payable on account of a member's death that occurs under circumstances other than those described in subparagraph (F) of paragraph 1 of subdivision (a) of Section 21530, or if an allowance under Section 21546 is payable, the payment pursuant to subdivision (b) shall be made, in the following order of priority:

(1) The surviving wife or surviving husband of the member, who has the care of unmarried children, including stepchildren, of the member who are under 22 years of age, or are incapacitated because of disability that began before and has continued without interruption after attainment of that age.

(2) The guardian or conservator of surviving unmarried children, including stepchildren, of the member who are under 22 years of age or are so incapacitated.

(3) The surviving wife or surviving husband of the member, who does not qualify under paragraph (1).

(4) Each surviving parent of the member.

(b) Regardless of the benefit provided by Section 21532 and of the beneficiary designated by the member under that section, or regardless of the allowance provided under Section 21546, the following applicable 1959 survivor allowance, under the conditions stated and from contributions of the state, shall be paid:

(1) A surviving spouse who was either continuously married to the member for at least one year prior to death, or was married to the member prior to the occurrence of the injury or onset of the illness that resulted in death, and has the care of unmarried children, including stepchildren, of the deceased member who are under 22 years of age or are so incapacitated, shall be paid three

1 hundred sixty dollars (\$360) if there is one child or four hundred
2 thirty dollars (\$430) per month if there are two or more children.
3 If there also are children who are not in the care of the surviving
4 spouse, the portion of the allowance payable under this paragraph,
5 assuming that these children were in the care of the surviving
6 spouse, which is in excess of one hundred eighty dollars (\$180) per
7 month, shall be divided equally among all those children and
8 payments made to the spouse and other children, as the case may
9 be.

10 (2) If there is no surviving spouse, or if the surviving spouse
11 dies, and if there are unmarried children, including stepchildren,
12 of the deceased member who are under 22 years of age or are so
13 incapacitated, or if there are children not in the care of the spouse,
14 the children shall be paid an allowance as follows:

15 (A) If there is only one child, the child shall be paid one
16 hundred eighty dollars (\$180) per month.

17 (B) If there are two children, the children shall be paid three
18 hundred sixty dollars (\$360) per month divided equally between
19 them.

20 (C) If there are three or more children, the children shall be paid
21 four hundred thirty dollars (\$430) per month divided equally
22 among them.

23 (3) A surviving spouse who has attained or attains the age of 62
24 years and, with respect to that surviving spouse, who was either
25 continuously married to the member for at least one year prior to
26 death, or who was married to the member prior to the occurrence
27 of the injury or onset of the illness which resulted in death, shall
28 be paid one hundred eighty dollars (\$180) per month. No
29 allowance shall be paid under this paragraph, while the surviving
30 spouse is receiving an allowance under paragraph (1), or while an
31 allowance is being paid under subparagraph (C) of paragraph (2).
32 The allowance paid under this paragraph shall be seventy dollars
33 (\$70) per month while an allowance is being paid under
34 subparagraph (B) of paragraph (2).

35 (4) If there is no surviving spouse or surviving child who
36 qualifies for a 1959 survivor allowance, or if the surviving spouse
37 dies and there is no surviving child, or if the surviving spouse dies
38 and the children die or marry or, if not incapacitated, reach age 22,
39 each of the member's dependent parents who has attained or
40 attains the age of 62, and who received at least one-half of his or

her support from the member at the time of the member's death, shall be paid one hundred eighty dollars (\$180) per month.

(c) "Stepchildren," for purposes of this section, shall include only stepchildren of the member living with him or her in a regular parent-child relationship at the time of his or her death.

(d) The amendments to this section by Chapter 1617 of the Statutes of 1971 shall apply only to 1959 survivor allowances payable April 1, 1972, and thereafter.

(e) This section does not apply to any member in the employ of an employer not subject to this section on January 1, 1994.

(f) On and after the date determined by the board, all assets and liabilities of all contracting agencies subject to this section, and their employees, on account of benefits provided under this article shall be pooled into a single account, and a single employer rate shall be established to provide benefits under this section on account of members employed by a contracting agency that is subject to this section.

(g) The rate of contribution of an employer subject to this section shall be figured using the term insurance valuation method. If a contracting agency that is subject to this section is projected to have a surplus in its 1959 survivor benefit account as of the date the assets and liabilities are first pooled, the surplus shall be applied to reduce its rate of contribution. If a contracting agency that is subject to this section is projected to have a deficit in its 1959 survivor benefit account as of the date the assets and liabilities are first pooled, its rate of contribution shall be increased until the projected deficit is paid.

~~SEC. 23.~~

SEC. 25. Section 21572 of the Government Code is amended to read:

21572. (a) In lieu of benefits provided in Section 21571, if the death benefit provided by Section 21532 is payable on account of a state member's death that occurs under circumstances other than those described in subparagraph (F) of paragraph (1) of subdivision (a) of Section 21530, or if an allowance under Section 21546 is payable, the payment pursuant to subdivision (b) shall be made in the following order of priority:

(1) The surviving wife or surviving husband of the member, who has the care of unmarried children, including stepchildren, of the member who are under 22 years of age, or are incapacitated

1 because of a disability that began before and has continued without
2 interruption after attainment of that age.

3 (2) The guardian of surviving unmarried children, including
4 stepchildren, of the member who are under 22 years of age or are
5 so incapacitated.

6 (3) The surviving wife or surviving husband of the member,
7 who does not qualify under paragraph (1).

8 (4) Each surviving parent of the member.

9 (b) Regardless of the benefit provided by Section 21532 and of
10 the beneficiary designated by the member under that section, or
11 regardless of the allowance provided under Section 21546, the
12 following applicable 1959 survivor allowance, under the
13 conditions stated and from contributions of the state, shall be paid:

14 (1) A surviving spouse who was either continuously married to
15 the member for at least one year prior to death, or was married to
16 the member prior to the occurrence of the injury or onset of the
17 illness that resulted in death, and has the care of unmarried
18 children, including stepchildren, of the deceased member who are
19 under 22 years of age or are so incapacitated, shall be paid four
20 hundred fifty dollars (\$450) per month if there is one child or five
21 hundred thirty-eight dollars (\$538) per month if there are two or
22 more children. If there also are children who are not in the care of
23 the surviving spouse, the portion of the allowance payable under
24 this paragraph, assuming that these children were in the care of the
25 surviving spouse, that is in excess of two hundred twenty-five
26 dollars (\$225) per month, shall be divided equally among all those
27 children and payments made to the spouse and other children, as
28 the case may be.

29 (2) If there is no surviving spouse, or if the surviving spouse
30 dies, and if there are unmarried children, including stepchildren,
31 of the deceased member who are under 22 years of age or are so
32 incapacitated, or if there are children not in the care of the spouse,
33 the children shall be paid an allowance as follows:

34 (A) If there is only one child, the child shall be paid two
35 hundred twenty-five dollars (\$225) per month.

36 (B) If there are two children, the children shall be paid four
37 hundred fifty dollars (\$450) per month divided equally between
38 them.

1 (C) If there are three or more children, the children shall be paid
2 five hundred thirty-eight dollars (\$538) per month divided equally
3 among them.

4 (3) A surviving spouse who has attained or attains the age of 62
5 years and, with respect to that surviving spouse, who was either
6 continuously married to the member for at least one year prior to
7 death, or was married to the member prior to the occurrence of the
8 injury or onset of the illness that resulted in death, shall be paid two
9 hundred twenty-five dollars (\$225) per month. No allowance shall
10 be paid under this paragraph while the surviving spouse is
11 receiving an allowance under paragraph (1) or while an allowance
12 is being paid under subparagraph (C) of paragraph (2). The
13 allowance paid under this paragraph shall be eighty-eight dollars
14 (\$88) per month while an allowance is being paid under
15 subparagraph (B) of paragraph (2).

16 (4) If there is no surviving spouse or surviving child who
17 qualifies for a 1959 survivor allowance, or if the surviving spouse
18 dies and there is no surviving child, or if the surviving spouse dies
19 and the children die or marry or, if not incapacitated, reach 22 years
20 of age, each of the member's dependent parents who has attained
21 or attains the age of 62 years, and who received at least one-half
22 of his or her support from the member at the time of the member's
23 death, shall be paid two hundred twenty-five dollars (\$225) per
24 month.

25 (c) "Stepchildren," for purposes of this section, shall include
26 only stepchildren of the member living with him or her in a regular
27 parent-child relationship at the time of his or her death.

28 (d) This section shall apply to beneficiaries receiving 1959
29 survivor allowances on July 1, 1975, as well as to beneficiaries
30 with respect to the death of a state member occurring on or after
31 July 1, 1975.

32 (e) This section shall apply, with respect to benefits payable on
33 and after July 1, 1981, to all members employed by a school
34 employer, and school safety members employed with a school
35 district or community college district as defined in subdivision (i)
36 of Section 20057, except that it shall not apply, without contract
37 amendment, with respect to safety members who became
38 members after July 1, 1981. All assets and liabilities of all school
39 employers, and their employees, on account of benefits provided
40 under this article shall be pooled into a single account, and a single

1 employer rate shall be established to provide benefits under this
2 section on account of all miscellaneous members employed by a
3 school employer and all safety members who are members on July
4 1, 1981.

5 (f) This section does not apply to any member in the employ of
6 an employer not subject to this section on January 1, 1994.

7 (g) On and after January 1, 2000, and until January 1, 2010, all
8 state members covered by this section shall be covered by the
9 benefit provided under Section 21574.7. On and after January 1,
10 2010, all state members not covered by Section 21573 or 21574.7
11 shall be covered by this section.

12 (h) On and after the date determined by the board, all assets and
13 liabilities of all contracting agencies subject to this section, and
14 their employees, on account of benefits provided under this article
15 shall be pooled into a single account, and a single employer rate
16 shall be established to provide benefits under this section on
17 account of members employed by a contracting agency that is
18 subject to this section.

19 (i) The rate of contribution of an employer subject to this
20 section shall be figured using the term insurance valuation method.
21 If a contracting agency that is subject to this section is projected
22 to have a surplus in its 1959 survivor benefit account as of the date
23 the assets and liabilities are first pooled, the surplus shall be
24 applied to reduce its rate of contribution. If a contracting agency
25 that is subject to this section is projected to have a deficit in its 1959
26 survivor benefit account as of the date the assets and liabilities are
27 first pooled, its rate of contribution shall be increased until the
28 projected deficit is paid.

29 ~~SEC. 24.~~

30 *SEC. 26.* Section 21661 of the Government Code is amended
31 to read:

32 21661. (a) The board shall contract with carriers offering
33 long-term care insurance plans.

34 The long-term care insurance plans shall be made available
35 periodically during open enrollment periods determined by the
36 board.

37 (b) The board shall award contracts to carriers who are
38 qualified to provide long-term care benefits, and may develop and
39 administer self-funded long-term care insurance plans. The board
40 may offer one or more long-term care insurance plans.



(c) The long-term care insurance plans shall include home, community, and institutional care and shall, to the extent determined by the board, provide substantially equivalent coverage to that required under Chapter 2.6 (commencing with Section 10231) of Part 2 of Division 2 of the Insurance Code, if the carrier has been approved by the Department of Managed Health Care pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code.

(d) The classes of persons who shall be eligible to enroll are:

(1) Active and retired members and annuitants of the Public Employees' Retirement System, and their spouses, parents, siblings, and spouses' parents.

(2) Active and retired members and annuitants of the State Teachers' Retirement Plan, and their spouses, parents, siblings, and spouses' parents.

(3) Active and retired members and annuitants of the Judges' Retirement System, and their spouses, parents, siblings, and spouses' parents.

(4) Active and retired members and annuitants of the Judges' Retirement System II, and their spouses, parents, siblings, and spouses' parents.

(5) Active and retired members and annuitants of the Legislators' Retirement System, and their spouses, parents, siblings, and spouses' parents.

(6) Members of the California Assembly and Senate and their spouses, parents, siblings, and spouses' parents.

(7) Active and retired members and annuitants, and other classes of employees of a public agency that is located in this state, and their spouses, parents, siblings, and spouses' parents.

(e) An individual specified in paragraphs (1) to (7), inclusive, of subdivision (d) may not be eligible unless he or she resides in the United States, its territories and possessions, or in a country in which a provider network can be established comparable in quality and effectiveness to those established in the United States.

(f) Notwithstanding paragraphs (1) to (7), inclusive, of subdivision (d), no person may be enrolled unless he or she meets the eligibility and underwriting criteria established by the board.

(g) Notwithstanding paragraphs (1) to (7), inclusive, of subdivision (d), enrollment of active employees of the State of California shall be subject to Section 19867.

(h) The board shall establish eligibility criteria for enrollment, establish appropriate underwriting criteria for potential enrollees, define the scope of covered benefits, define the criteria to receive benefits, and set any other standards as needed. As used in this section, “sibling” shall mean a sibling who is at least 18 years of age.

(i) The long-term care insurance plans may not become part of, or subject to, the retirement or health benefits programs administered by the system.

(j) For any self-funded long-term care plan developed by the board, the premiums shall be deposited in the Public Employees’ Long-term Care Fund.

~~SEC. 25.~~

SEC. 27. Section 21663 of the Government Code is amended to read:

21663. (a) The board may enter into contracts with long-term care insurance carriers, pursuant to Section 21661, and with entities offering services relating to the administration of long-term care plans, without compliance with any provisions of law relating to competitive bidding.

(b) The board may fix the beginning and ending dates of the contracts in a manner it deems consistent with administration of this part. The board shall periodically review each contract according to a reasonable schedule mutually agreed upon by the parties. Irrespective of any agreed-upon termination date or period for review, the board may terminate a contract at any time under conditions determined by the board, and may automatically renew a contract from term to term, or for any lesser period it deems appropriate.

(c) The Department of General Services shall review and approve all contracts entered into pursuant to this section, to ensure that each written instrument contains the principal necessary provisions and proper technical terms and phrases, is formally correct, is arranged in proper and methodical order, and is adapted to the specific requirements of the agreement between the parties. The department’s review and approval does not supersede the board’s authority to negotiate and reach agreement with long-term care insurance carriers or with entities offering services relating to the administration of long-term care plans, with respect to the

1 rates, terms, and conditions of contracts entered into pursuant to
2 this section.

3 ~~SEC. 26.~~

4 *SEC. 28.* Section 22009.03 of the Government Code is
5 amended to read:

6 22009.03. “Public agency” also includes a school district, a
7 county superintendent of schools, and a regional occupational
8 center or program established pursuant to Article 1 (commencing
9 with Section 6500) of Chapter 5 of Division 7 of Title 1, with
10 respect to employees eligible for membership in the State
11 Teachers’ Retirement Plan.

12 This section shall become inoperative on July 1, 2004, and, as
13 of January 1, 2005, is repealed, unless a later enacted statute,
14 which becomes effective on or before January 1, 2005, deletes or
15 extends the dates on which it becomes inoperative and is repealed.

16 ~~SEC. 27.~~

17 *SEC. 29.* Section 22009.1 of the Government Code is
18 amended to read:

19 22009.1. “Retirement system” includes:

20 (a) A pension, annuity, retirement or similar fund or system
21 established by a public agency and covering only positions of that
22 agency.

23 (b) The Public Employees’ Retirement System with respect
24 only to employees of the state and employees of the University of
25 California in positions covered by that system.

26 (c) The Public Employees’ Retirement System with respect to
27 employees of all school districts in positions covered under each
28 contract entered into by a county superintendent of schools and the
29 system.

30 (d) The State Teachers’ Retirement System with respect to all
31 employees in positions subject to coverage under the Defined
32 Benefit Program of the State Teachers’ Retirement Plan except
33 employees of a public agency having any employees in positions
34 covered by that system who are also in positions covered by a local
35 retirement system for the retirement of teachers, or for
36 membership in which public school teachers are eligible, operated
37 by a city, city and county, county or other public agency or
38 combination of public agencies of the state.

39 (e) The Legislators’ Retirement System with respect to all
40 employees in positions covered by that system.

1 (f) The Judges' Retirement System with respect to all
2 employees in positions covered by that system.

3 (g) The University of California Retirement System only with
4 respect to all employees in positions covered by that system.

5 (h) The San Francisco City and County Employees'
6 Retirement System with respect to all employees in positions
7 covered by that system.

8 (i) Any other retirement system with respect only to employees
9 of any two or more of the public agencies having employees in
10 positions covered by that system, as designated by the board and
11 with regard to which the board authorizes conduct of a
12 referendum.

13 (j) Any retirement system with respect only to employees of a
14 hospital that is an integral part of a city incorporated between
15 January 15, 1898 and July 15, 1898 in positions covered by the
16 system, as designated by the board on request of the city.

17 (k) Except as otherwise provided in subdivisions (b) to (j) ,
18 inclusive, any retirement system with respect to employees of each
19 of the public agencies having employees in positions covered by
20 the system.

21 (l) Each division or part of a retirement system, as defined in
22 subdivisions (a), (b), (c), (e), (g), (h), (i), (j), (k), and (m) of this
23 section, which is divided pursuant to this chapter into two parts:

24 (1) The part composed of the positions of members of the
25 system who desire coverage under the federal system.

26 (2) The part composed of the positions of members of the
27 system who do not desire coverage under the federal system.

28 (m) The State Teachers' Retirement System with respect to all
29 employees of each public agency, as defined by Section 22009.03,
30 in positions covered by the State Teachers' Retirement Plan. This
31 subdivision shall become inoperative on July 1, 2004.

32 ~~SEC. 28.~~

33 *SEC. 30.* Section 22013.7 of the Government Code is
34 amended to read:

35 22013.7. "Policeman" or "fireman," as used in this part, also
36 includes persons employed in positions set forth in Sections 20414
37 and 20423.5 for the purposes of Section 218(d)(5)(A) of the Social
38 Security Act (42 U.S.C. Sec. 418(d)(5)(A)).

39 ~~SEC. 29.~~

1 *SEC. 31.* Section 22018 of the Government Code is amended
2 to read:

3 22018. (a) It is the intent of the Legislature that, to the extent
4 possible, members of the State Teachers' Retirement Plan earn
5 credit towards Medicare coverage.

6 (b) In accomplishing the goal specified in subdivision (a), the
7 board shall make available to school districts, community college
8 districts, and county superintendents of schools information
9 concerning the procedure for earning credit for social security
10 coverage for school related service not credited under the
11 Teachers' Retirement Law.

12 ~~*SEC. 30.*~~

13 *SEC. 32.* Section 22156 of the Government Code is amended
14 to read:

15 22156. (a) A division of the State Teachers' Retirement Plan
16 is hereby authorized by the Legislature to provide Medicare
17 coverage for employees of a public agency as defined in Section
18 22009.03, upon the request of the public agency.

19 (b) The division authorized by subdivision (a) shall be
20 conducted pursuant to this article.

21 (c) A member of the State Teachers' Retirement Plan on whose
22 behalf a request is made pursuant to subdivision (a), may elect to
23 be covered by Medicare, pursuant to Section 218 of the federal
24 Social Security Act (42 U.S.C. Sec. 418), and applicable federal
25 regulations if (1) the member was employed in a position covered
26 by the plan on March 31, 1986, and (2) the member has not since
27 been mandated into Medicare coverage due to the enactment of
28 Public Law 99-272, and (3) the member is in a position covered
29 or the member is eligible to elect to be covered by the retirement
30 system on the date of the division.

31 (d) The public agency shall, immediately after the elections
32 authorized in subdivision (b) have been made, make application
33 pursuant to Chapter 2 (commencing with Section 22200) of this
34 part for Medicare coverage for those members who have elected
35 to receive Medicare coverage.

36 (e) The effective date of the coverage may be retroactive a
37 maximum of five years but not earlier than January 1, 1987.

38 (f) This section shall become inoperative on July 1, 2004, and,
39 as of January 1, 2005, is repealed, unless a later enacted statute,

1 which becomes effective on or before January 1, 2005, deletes or
2 extends the dates on which it becomes inoperative and is repealed.

3 ~~SEC. 31.~~

4 *SEC. 33.* Section 22216 of the Government Code is repealed.

5 ~~SEC. 32.~~

6 *SEC. 34.* Section 22502 of the Government Code is amended
7 to read:

8 22502. Agreements as defined in Section 22006, and all
9 applications and agreements and contracts and any amendments
10 thereto between the board and the Adjutant General, the Teachers'
11 Retirement Board, the Regents of the University of California, and
12 any public agency, except the state, executed by the board pursuant
13 to this part are hereby excepted from the provisions of Section
14 13370, and of any other statutory provision that would otherwise
15 require the approval of any of those agreements and contracts and
16 any amendments thereto by any other state officer or agency.

17 ~~SEC. 33.~~

18 *SEC. 35.* Section 22754 of the Government Code is amended
19 to read:

20 22754. As used in this part, the following definitions, unless
21 the context otherwise requires, shall govern the interpretation of
22 terms:

23 (a) "Board" means the Board of Administration of the Public
24 Employees' Retirement System.

25 (b) "Employee" means:

26 (1) Any officer or employee of the State of California or of any
27 agency, department, authority, or instrumentality of the state
28 including the University of California, or any officer or employee
29 who is a local or school member of the Public Employees'
30 Retirement System employed by a contracting agency that has
31 elected to be or otherwise has become subject to this part, or who
32 is a member or retirant of the State Teachers' Retirement Plan
33 employed by an employer who has elected to become subject to
34 this part, or who is an employee or annuitant of a special district
35 or county subject to the County Employees Retirement Law of
36 1937 (Chapter 3 (commencing with Section 31450) of Part 3 of
37 Division 4 of Title 3) that has elected to become subject to this part,
38 or who is an employee or annuitant of a special district, as defined
39 in subdivision (i), that has elected to become subject to this part,
40 except persons employed on an intermittent, irregular, or less than

1 half-time basis, or employees similarly situated, or employees in
2 respect to whom contributions by the state for any type of plan or
3 program offering prepaid hospital and medical care are otherwise
4 authorized by law.

5 (2) Any officer or employee who participates in the retirement
6 system of a contracting agency as defined in paragraph (2) of
7 subdivision (g) that has elected to become subject to this part,
8 except persons employed less than half time or who are otherwise
9 determined to be ineligible.

10 (3) Any annuitant of the Public Employees' Retirement
11 System employed by a contracting agency as defined in
12 subdivision (g) that has elected to become subject to this part who
13 is a person retired under Section 21228.

14 (4) Any officer or employee of a contracting agency as defined
15 in paragraph (3) of subdivision (g) that has elected to become
16 subject to this part, except persons who are determined to be
17 ineligible.

18 (c) "Carrier" means a private insurance company holding a
19 valid outstanding certificate of authority from the Insurance
20 Commissioner of the state, a medical society or other medical
21 group, a nonprofit hospital service plan qualifying under Chapter
22 11A (commencing with Section 11491) of Part 2 of Division 2 of
23 the Insurance Code, a nonprofit membership corporation lawfully
24 operating under Section 9200 or Section 9201 of the Corporations
25 Code, a health care service plan as defined under subdivision (f)
26 of Section 1345 of the Health and Safety Code, or a health
27 maintenance organization approved under Title XIII of the federal
28 Public Health Services Act, that is lawfully engaged in providing,
29 arranging, paying for, or reimbursing the cost of personal health
30 services under insurance policies or contracts, medical and
31 hospital service agreements, membership contracts, or the like, in
32 consideration of premiums or other periodic charges payable to it.

33 (d) "Health benefits plan" means any program or entity that
34 provides, arranges, pays for, or reimburses the cost of health
35 benefits.

36 (e) "Annuitant" means:

37 (1) Any person who has retired within 120 days of separation
38 from employment and who receives any retirement allowance
39 under any state or University of California retirement system to
40 which the state was a contributing party.

(2) A family member receiving an allowance as the survivor of an annuitant who has retired as provided in paragraph (1), or as the survivor of a deceased employee under Section 21541, 21546, or 21547 or similar provisions of any other state retirement system.

(3) Any employee who has retired under the retirement system provided by a contracting agency as defined in paragraph (2) or (3) of subdivision (g) and who receives a retirement allowance from that retirement system, or a surviving family member who receives the retirement allowance in place of the deceased.

(4) Any person who was a state member for 30 years or more and who, at the time of retirement, was a local member employed by a contracting agency.

(f) “Family member” means an employee’s or annuitant’s spouse and any unmarried child (including an adopted child, a stepchild, or recognized natural child who lives with the employee or annuitant in a regular parent-child relationship). The board shall, by regulation, prescribe age limits and other conditions and limitations pertaining to unmarried children.

(g) “Contracting agency” means:

(1) Any contracting agency as defined in Section 20022, any county or special district subject to the County Employees Retirement Law of 1937 (Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3), and any special district, school district, county board of education, personnel commission of a school district or a county superintendent of schools.

(2) Any public body or agency of, or within California not covered by the Public Employees’ Retirement System or subject to the County Employees Retirement Law of 1937 (Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3), that provides a retirement system for its employees funded wholly or in part by public funds and a trial court as defined in the Trial Court Employment Protections and Governance Act (Chapter 7 (commencing with Section 71600) of Title 8).

(3) The protection and advocacy agency described in subdivision (h) of Section 4900 of the Welfare and Institutions Code, if the agency obtains a written advisory opinion from the United States Department of Labor stating that the organization is an agency or instrumentality of the state or a political subdivision thereof within the meaning of Chapter 18 (commencing with Section 1001) of Title 29 of the United States Code.

(h) “Employer” means the state, any contracting agency employing an employee, and any agency that has elected to become subject to this part pursuant to Section 22856.

(i) “Special district” means a nonprofit, self-governed public agency, within the State of California and comprised solely of public employees, performing a governmental rather than proprietary function.

~~SEC. 34.~~

SEC. 36. Section 22825 of the Government Code is amended to read:

22825. (a) The employer and each employee or annuitant shall contribute a portion of the cost of providing for each employee and annuitant the benefit coverage afforded under any health benefit plan that the board has approved or for which it has executed a contract pursuant to this part, and in which the employee or annuitant may be enrolled.

(b) The employer’s contribution for each employee or annuitant shall be the amount necessary to pay the cost of his or her enrollment, including the enrollment of his or her family members, in a health benefits plan or plans, or, if less, as follows:

(1) Prior to January 1, 2004, sixteen dollars (\$16) per month.

(2) During calendar year 2004, thirty-two dollars and twenty cents (\$32.20) per month.

(3) During calendar year 2005, forty-eight dollars and forty cents (\$48.40) per month.

(4) During calendar year 2006, sixty-four dollars and sixty cents (\$64.60) per month.

(5) During calendar year 2007, eighty dollars and eighty cents (\$80.80) per month.

(6) During calendar year 2008, ninety-seven dollars (\$97) per month.

Commencing January 1, 2009, the employer’s contribution shall be adjusted annually by the board to reflect any change in the medical care component of the Consumer Price Index and shall be rounded to the nearest dollar. There shall be only one contribution with respect to all annuitants receiving allowances as survivors of the same employee or annuitant.

(c) The contribution of each employee and annuitant shall be the total cost per month of the benefit coverage afforded him or her

1 under the plan or plans less the portion thereof to be contributed
2 by the employer.
3 (d) If the provisions of this section are in conflict with the
4 provisions of a memorandum of understanding reached pursuant
5 to Section 3517.5, the memorandum of understanding shall be
6 controlling without further legislative action, except that if those
7 provisions of a memorandum of understanding require the
8 expenditure of funds, the provisions may not become effective
9 unless approved by the Legislature in the annual Budget Act.

